

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 ICAE-00 INRE-00 NSCE-00 SSO-00
STR-07 SS-15 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-10 FRB-03 INR-10 IO-13 NEA-10 NSAE-00 OPIC-03
SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00 OMB-01 L-03
XMB-02 /111 W

-----018680 061540Z /15

O 061455Z APR 78

FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 1404

INFO AMEMBASSY BERN
AMEMBASSY BONN IMMEDIATE
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY PARIS IMMEDIATE
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY VIENNA

C O N F I D E N T I A L ANKARA 2637

USEEC

USOECD

E.O. 11652: GDS
TAGS: EFIN, EAID, OECD, TU
SUBJ: TURKISH POSITION ON THE ROLE OF THE OECD CONSORTIUM AND
DEBT RELIEF

REF: (A) STATE 81378, (B) ANKARA 2470
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1. AMBASSADOR MET WITH TURKISH FINANCE MINISTER ZIYA MUEZZINOGLU APRIL 6, AT MINISTER'S REQUEST, TO HEAR GOT POSITION ON REACTIVATION OF OECD CONSORTIUM FOR TURKEY. MINISTER SAID THAT HE WAS RESPONDING TO EMBASSY'S PRESENTATION OF US VIEWS MADE MARCH 31 (REFTELS).

2. TURKEY BELIEVES THAT IT WOULD BE USEFUL TO HAVE AN INFORMAL MEETING OF THE CONSORTIUM ON APRIL 10, AS SCHEDULED. APRIL 10 MEETING WOULD BE INFORMATIONAL. AGENDA ITEM, AS AGREED THIS WEEK IN ANKARA WITH PRESIDENT GIEL OF OECD CONSORTIUM, WOULD BE REPORT, ALREADY PREPARED BY OECD SECRETARIAT, ON TURKEY'S SHORT-TERM DEBT PROBLEM. GOT WANTS FORMAL MEETING TO BE HELD AT END OF APRIL AFTER IMF APPROVES STANDBY FOR TURKEY ON APRIL 24, BUT WOULD AGREE TO EARLY MAY.

3. TURKEY EXPECTS THAT CONSORTIUM EFFORT WILL RESULT IN:

- A. POSTPONEMENT FOR FIVE YEARS OF PAYMENT OF ALL GUARANTEED AND NON-GUARANTEED SUPPLIERS' CREDITS CURRENTLY IN ARREARS;
- B. RESCHEDULING OF ALL LONG-TERM DEBT TO GOVERNMENTS FALLING DUE IN NEXT FIVE YEARS;
- C. ENLARGEMENTS OF THE GUARANTEE LIMITS ON SUPPLIERS/CREDITS OFFERED BY GOVERNMENT EXPORT CREDIT AGENCIES. (GOT REALIZES THAT EXIMBANK DOES NOT HAVE LIMITS.)

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4. MINISTER EMPHASIZED GOVERNMENT'S DESIRE FOR EARLY ACTION ON OBJECTIVE C. TURKEY WANTS TO ANNOUNCE ENLARGEMENT OF GUARANTEE LIMITS SOON AFTER APPROVAL OF IMF STANDBY TO DEMONSTRATE PUBLICLY THAT GOT STANBILIZATION PROGRAM IS WORKING AND THAT NORMAL IMPORT OPERATIONS CAN BEGIN AGAIN. GOT HOPES TO RESUME TRANSFERS OF FOREIGN EXCHANGE FOR CURRENT IMPORTS AFTER APRIL 24.

5. AMBASSADOR INQUIRED WHETHER THE TURKS HAVE DISCUSSED THEIR PROPOSALS WITH OTHER GOVERNMENTS. MR MUEZZINOGLU SAID THAT HE HAD TALKED ONLY TO THE WEST GERMAN AMBASSADOR BUT THAT TURKEY WOULD SOON BE MAKING A DEMARCHE IN THE CAPITALS OF OTHER CONSORTIUM MEMBER GOVERNMENTS. HE SOLICITED THE SUPPORT OF THE US GOVERNMENT ON ALL THREE OBJECTIVES AND ASKED ALSO FOR OUR SUPPORT IN CONSORTIUM CAPITALS.

6. IN RESPONSE TO A QUESTION ABOUT ENLARGING THE CONSORTIUM TO INCLUDE THE INTERNATIONAL FINANCIAL INSTITUTIONS, PRIVATE BANKS, AND SELECTED NON-OECD COUNTRIES, THE MINISTER SAID THAT TURKEY WAS NOT OPPOSED

IN PRINCIPLE ALTHOUGH IT IS AGAINST RESHAPING THE CONSORTIUM AS A MONITORING AGENCY. TURKEY WANTS TO LIMIT EXPANSION AT THIS TIME TO OECD MEMBERS WHO ARE NOT CONSORTIUM MEMBERS IE, JAPAN AND FINLAND. EXPANDING THE CONSORITUM TO INCLUDE OTHERS WAS "NOT A QUESTION FOR TODAY", HE SAID, ADDING THAT TURKEY'S FINANCING NEEDS ARE URGENT AND IT DOES NOT WANT TO DELAY CONSIDERATION OF THEM WHILE ENLARGEMENT IS DEBATED. TURKEY STILL HOPES TO RECEIVE BOTH PROGRAM AND PROJECT FINANCING FROM CONSORITUM MEMBERS IN THE FUTURE.

7. THE MINISTER SAID THAT TURKEY STRONGLY OPPOSES DEBT RESCHEDULING WITHIN THE PARIS CLUB, WHICH HE UNDERSTOOD THE US FAVORED. HE SAID THAT IF TURKEY WERE TO

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USE THE PARIS CLUB, IT WOULD BE DIFFICULT TO GET NEW MONEY FROM COMMERCIAL BANKS SINCE THE CLUB IS ASSOCIATED IN MANY PEOPLE'S MINDS WITH DEBT MORATORIUM. INSTEAD, TURKEY WANTS TO SEEK A SOLUTION TO ITS PROBLEMS WITHIN THE CONTEXT OF THE OECD CONSORITUM. TURKEY HAS TWICE RESCHEDULED DEBTS WITHIN THIS FRAMEWORK AND IS CONFORTABLE WITH THE FORUM.

8. IN ADDITION TO THE THREE IMMEDIATE OBJECTIVES CITED ABOVE, TURKEY HOPES TO RECEIVE BOTH PROGRAM AND PROJECT FINANCING. PROJECT FINANCING, THE MINISTER SAID, REMAINS IMPORTANT FOR TURKEY'S DEVELOPMENT. CONSORITUM MEMBERS, HE SUGGESTED, MIGHT DISCUSS THIS TYPE OF AID AFTER THE COUNTRY'S MORE IMMEDIATE PROBLEMS ARE RESOLVED.

9. COMMENT. TURKEY EXPECTS A FIVE-YEAR "BREATHING SPACE" OF DEBT RELIEF AND ALSO NEW CREDITS FROM BOTH GOVERNMENTS AND COMMERCIAL BANKS TO FINANCE IMPORTS. APPARENTLY LITTLE THOUGHT HAS YET BEEN GIVEN TO THE DIFFICULT TASK OF RESTRUCTURING THE TURKISH ECONOMY SO THAT FOREIGN EXCHANGE CRISES DO NOT RECUR PERIODICALLY. TURKEY APPARENTLY BELIEVES THAT THIS CRISIS IS NO DIFFERENT FROM THOSE IN THE PAST WHERE LARGE INFLOWS OF FOREIGN ASSISTANCE (FOLLOWING A LARGE DEVALUATION) HAVE ALLOWED TURKEY TO GET BY WITH ONLY COSMETIC CHANGES IN THE BASIC STRUCTURE OF ITS ECONOMY. THE EMPHASIS OF CURRENT TURKISH POLICY IS TO GENERATE THE FOREIGN SUPPORT THAT WILL ALLOW THE TURKS TO CONTINUE BUSINESS AS USUAL.
SPIERS

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